

Consumer Alert

Providing consumers with knowledge to make informed choices and decisions.

CELEBRATING 30 YEARS

A Publication of the South Carolina Department of Consumer Affairs

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TAX REFUND PRODUCTS: *Not Always the Most Profitable Choice*

Refund Anticipation Loans (RALs): RALs are high-cost, short-term loans secured by taxpayers' expected refunds. Consumers pay three fees for a RAL: a fee for commercial tax preparation, a fee to the preparer to process the RAL and a loan fee to the lender. The total cost can range from \$180 to over \$250, and eats away at about 10% of the consumer's refund.

Refund Anticipation Checks (RACs): RACs avoid many of the worst features of RALs because they are not loans. Instead, consumers pay to have a temporary account established, allowing them to receive the refund with the speed of direct deposit – generally 8-15 days. Consumers pay a fee to the bank and a separate fee to the tax preparer, totaling about \$60, not including the tax preparation fee.

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Taking the Scare out of Auto Repair

1. **FIND A GOOD REPAIR SHOP:** Ask for recommendations from friends and family, make sure the repair shop is licensed and capable of performing the needed repairs, and shop around for the best deals.
2. **GET A WRITTEN ESTIMATE:** Make sure the signed written contract identifies the condition to be repaired, the parts needed, and the anticipated labor charge. Also, make sure it states how much you will be charged.
3. **WHEN TO SEEK A SECOND OPINION:** On expensive or complicated repairs, get a second opinion. Ask if there will be a diagnostic charge if you decide to have the repairs performed elsewhere.
4. **AFTER YOUR REPAIRS ARE FINISHED, GET A COMPLETED REPAIR ORDER:** The completed repair order should list each repair, all labor charges, and the vehicle's odometer reading when the vehicle entered the shop. Ask to take home all replaced auto parts.
5. **PREVENTIVE MAINTENANCE:** Ignoring simple auto maintenance can lead to poor fuel economy, unreliability, and costly breakdowns. It can also invalidate your warranty. Always follow a maintenance schedule; if you do not have a schedule in your owner's manual, you can

About the South Carolina Department of Consumer Affairs:

Established by the Consumer Protection Code in 1974, The South Carolina Department of Consumer Affairs represents the interests of South Carolina consumers. Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education. For more information, visit www.sccconsumer.gov.

TIPS FOR BUYING A USED CAR

If you are in the market for a used car, do some research first. Before you decide what car to buy, consider the driving habits of the person who will be driving the car, what the car will be used for, and what the available budget is.

When you find several models you like, find out how much they cost and what their safety and repair records are. This information can be found in libraries, bookstores, and on various Internet sites.

There are several key differences between buying a used car from a dealer or from a private individual.

Dealers are **not** required to give used car buyers a three-day right to cancel, but they **are** required to post a Buyers Guide in every used car they sell. This guide includes:

- Whether the vehicle is being sold *as is* or with a warranty.
- What percentage of the repair costs a dealer will pay under the warranty.
- The major mechanical and electrical systems of the car, including some of the major problems you should look out for.

When a used car is bought from a private individual, the car is usually sold *as is* and is not covered by a warranty. Sometimes the car is covered by an old warranty – check to see if the warranty is transferable.

Whether you decide to buy from a used car dealer or from a private individual, make sure you do several things:

- Test-drive the car on varied road conditions.
- Ask for the car's maintenance records.
- Have the car inspected by a mechanic, or diagnostic service.
- Try to research the used car's history on the Internet.

Tax Refund Products continued from page 1:

Once the refund is deposited, the preparer subtracts its tax preparation and RAC fees, cuts a check to the taxpayer for the remainder of the refund and closes the account. In addition to being promoted as a separate "rapid refund" product, RACs serve as a default product if a consumer is denied a RAL.

Stored Value Cards: Taxpayers can have their refunds or RAL proceeds deposited onto a stored value card. Stored value cards can deliver the speed of e-filed/direct deposit for taxpayers without a bank account. They work like debit cards to make purchases and withdraw cash, but are not linked to a regular bank account. Stored value cards are often called "prepaid debit cards" and branded as a MasterCard or VISA. Stored value cards vary widely in terms of cost, convenience and level of consumer protection, but generally are more expensive and provide fewer protections than bank or credit union accounts.

Related Products: Many tax preparers market an assortment of other products in conjunction with tax preparation. Some of the more common ones are listed below:

Rent-to-Own Stores: Tax preparation companies place agents in select stores. Taxpayers are then offered incentives to use their refund or RAL to purchase or rent items from these stores.

Check Cashers: Tax preparation companies offer check-cashing services for a price. Fees are approximately 2-4% of the check amount, minimizing consumers' refund dollars.

Car Dealerships: A number of tax preparation companies have partnered with car dealers. After sending customers' tax information to tax preparers, who then e-file the returns, dealers are able to use the customers' refund as a down payment. The dealer deposits the customer's refund in their own account, and subtracts RAL fees for the transaction.

Cross Marketing of Other Products: Tax preparation companies' market mortgage, brokerage and financial advisory services to their tax preparation clients. Credit cards, loans, and other products are also marketed to RAL customers.



On March 4, 2005 the South Carolina State LifeSmarts Competition came to a close, with Trinity Collegiate edging out F.E. DuBose Career Center by a small margin. The competition, held at the Lutheran Seminary in Columbia, SC, determined which team will represent South Carolina at the national competition in San Francisco on April 16-19, 2005.

For more information contact Sherry G. King at (803) 734.4195

Questions About a Business?

The South Carolina Department of Consumer Affairs' Buyer Beware List has answers. Check the list out at http://www.scoconsumer.gov/buyer_beware_list.pdf in order to protect yourself as a consumer of products and services in South Carolina.

If you have questions about other businesses, or would like a copy of the list, contact the South Carolina Department of Consumer Affairs at www.scoconsumer.gov or at (803) 734.4200 or 800.922.1594 (toll-free in South Carolina).

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